HART SCHAFFNER & MARX

Forty-second Annual Report

November 30, 1952

EXECUTIVE OFFICES

36 South Franklin Street
Chicago 6, Illinois

▼

BOARD OF DIRECTORS

Eugene Bashore
John D. Gray
Meyer Kestnbaum
Joseph Halle Schaffner
Joel Spitz
Clay E. Steele
Harry L. Wells

▼

OFFICERS

Meyer Kestnbaum	*President*
John D. Gray	*Vice-President*
Morris Greenberg	*Vice-President*
Bernard A. Rittersporn	*Vice-President*
Mario Ciucci	*2nd Vice-President*
L. G. Johnson	*2nd Vice-President*
Clay E. Steele	*Secretary and Treasurer*
Thomas E. Davison	*Comptroller*
Morris Neufeld	*Assistant Secretary and Assistant Treasurer*

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TRANSFER AGENTS

The First National Bank of Chicago
Chicago 90, Illinois

Bankers Trust Company
New York 15, N. Y.

REGISTRARS

Continental Illinois National Bank and Trust Company of Chicago
Chicago 90, Illinois

The New York Trust Company
New York 15, N. Y.

HART SCHAFFNER & MARX

CHICAGO NEW YORK

March 2, 1953

To the Stockholders:

The accompanying Annual Report for the fiscal year 1952 reflects the improvement which took place during the second half of the year after a disappointing first six months. For the year as a whole net profits amounted to \$1,035,420 as compared with \$1,518,752 for the previous year. Increased sales during the latter half of the year offset a decline of almost \$2,800,000 during the first six months so that consolidated sales of \$62,263,140 represent a slight increase over the previous year. Profit margins are still narrow but the resumption of full production in our manufacturing operations and an encouraging improvement in retail sales during the last few months of the year have greatly improved the prospects of the company.

As of April 1, 1952 the company acquired all of the capital stock of Hastings Clothing Company of San Francisco, one of the oldest retail institutions on the Pacific Coast. It will take a number of years to work out the program which is contemplated but this acquisition, which was made on a favorable basis, should ultimately make possible a definite improvement in our operations in the Bay Area of San Francisco.

Although there have been other attractive opportunities to acquire retail stores no important acquisitions are contemplated in the near future. Your directors consider it advisable at the present time to build up working capital and to accomplish a steady reduction in indebtedness. During the year just ended Funded Debt was reduced by \$580,000. Bank indebtedness as at the end of the year was also reduced by \$430,000. As of February 1 our current indebtedness to banks amounted to \$4,035,000 as compared to \$4,500,000 on the corresponding date of last year. Under normal conditions even moderate earnings will permit the company to improve its position steadily.

For a number of years we have engaged in a program of improving our retail stores. This program is now virtually completed. Some expenditures for fixed assets will become necessary in connection with expiring leases and changes in retail locations, but we expect that the cost of improvements during the next few years will be less than the annual charges for depreciation and amortization. For the year just ended these charges amounted to $970,098. Improvements amounted to $511,656. This latter total does not take into account fixed assets acquired through the purchase of subsidiaries. The consolidated balance sheet, however, does include all such assets and the increase in Capital Surplus represents the difference between the book value of these assets and the acquisition cost.

In order to facilitate a review of the entire improvement program and its effect on significant income and balance sheet items there appears on the last two pages of this year's report a Ten-Year Summary. The amounts expended for retail store improvements and for the factory building acquired in 1948 are listed as Property Additions. To a very large extent these improvements were made necessary by the normal process of obsolescence and by the necessity of protecting the relative position of stores in their respective communities. Other improvements, such as those in Chicago, St. Louis and in some of the Wallach locations in the New York area, were made as part of a definite program of expansion. In a few cases the results have not been up to expectations but the program as a whole has had a healthy effect on our distribution and we believe that its advantages will become increasingly apparent in the years to come.

Our orders for the Spring '53 season are well ahead of last year and our factories are operating at capacity. The clothing industry was one of the first to go through the period of price adjustments which followed the post-Korean boom. Clothing is now attractively priced in relation to most other consumer goods. On the basis of recent experience and present prospects there is good reason to believe that our showing for the first six months will be appreciably better than last year.

Respectfully submitted,

MEYER KESTNBAUM
President

HART SCHAF

AND SUBSIDIA

CONSOLIDATED

As of November

Assets

Current Assets:	1952	1951
Cash	$ 2,291,117	$ 2,220,909
U. S. Government securities, at cost	5,000	5,000
Notes and accounts receivable—		
Trade, less allowances for doubtful balances and discounts	8,368,206	6,969,614
Other	292,244	325,979
Inventories—		
Factory inventories at cost or market whichever is lower for current season's goods and estimated realizable value for past seasons' goods; retail stores' inventories at cost or market whichever is lower computed by the retail method	19,665,039	20,827,912
Prepaid rentals, insurance, supplies, etc.	604,842	702,085
Total current assets	$31,226,448	$31,051,499

Other Assets:		
U. S. Government securities (at cost) on deposit under lease agreements	$ 62,500	$ 62,500
Sundry investments (at cost), loans, etc., less reserves	113,136	89,635
Cash surrender value of insurance policies on lives of officers of certain subsidiaries	132,747	120,966
	$ 308,383	$ 273,101

Properties, at cost:		
Building, shop equipment, furniture and fixtures	$10,182,894	$ 9,870,231
Less—Accumulated depreciation	4,633,819	4,171,789
	$ 5,549,075	$ 5,698,442
Leaseholds and leasehold improvements less amortization	5,741,524	5,455,519
Land	748,341	748,341
	$12,038,940	$11,902,302

Goodwill, Trade Names and Trade-Marks, at record value	$ 1	$ 1
	$43,573,772	$43,226,903

FNER & MARX

RY COMPANIES

BALANCE SHEET

30, 1952 and 1951

Liabilities

	1952	1951
Current Liabilities:		
Notes payable to banks	$ 6,070,000	$ 6,500,000
Sinking fund debentures payable May 31, 1953 and 1952 respectively	510,000	580,000
Accounts payable—		
Trade	2,687,408	1,926,447
Other	953,057	828,272
Accrued salaries, wages and rents	882,297	832,520
Accrued taxes (other than taxes on income)	382,860	364,531
Provision for federal and state taxes on income	644,155	1,539,955
Total current liabilities	$12,129,777	$12,571,725
Funded Debt:		
3½% sinking fund debentures due June 1, 1963	$ 5,895,000	$ 6,475,000
Less—Amount payable in 1953 and 1952 respectively, included in current liabilities	510,000	580,000
	$ 5,385,000	$ 5,895,000
Note payable by subsidiary company due January 31, 1956 less $70,000 payable in 1953, included in current liabilities	280,000	—
Advance by lessor toward leasehold improvements by subsidiary company payable monthly over lease expiring in 1977	238,301	244,240
	$ 5,903,301	$ 6,139,240
Minority Stockholders' Interest	$ 125,019	$ 128,570
Capital Stock and Surplus:		
Common stock—authorized and issued—375,000 shares par value $10.00 each	$ 3,750,000	$ 3,750,000
Surplus—		
Capital surplus (1952 addition of $553,046 resulting from acquisition of capital stock of subsidiary companies)	2,067,004	1,513,958
Earned surplus—		
Appropriated for contingencies	700,000	700,000
Unappropriated, per accompanying statement	19,375,228	18,899,967
	$25,892,232	$24,863,925
Deduct—Treasury stock—24,900½ shares	476,557	476,557
	$25,415,675	$24,387,368
	$43,573,772	$43,226,903

See Notes to Financial Statements.

HART SCHAFFNER & MARX
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND UNAPPROPRIATED EARNED SURPLUS
For the fiscal years ended November 30, 1952 and 1951

	1952	1951
Net sales and operating revenues	$62,263,140	$61,672,439
Dividends from sundry investments, interest and other income	152,563	126,564
Total	$62,415,703	$61,799,003
Less:		
Cost of goods sold and occupancy expenses (exclusive of depreciation and amortization)	$45,326,081	$44,375,367
Depreciation and amortization	970,098	870,903
Selling, general and administrative expenses	13,809,717	12,840,961
Interest paid	434,563	426,231
Sundry income deductions	9,241	16,297
Minority interest in net profits of subsidiaries	5,868	3,587
	$60,555,568	$58,533,346
Profit before deducting income taxes	$ 1,860,135	$ 3,265,657
Provision for taxes on income—		
Federal normal income tax and surtax	$ 807,453	$ 1,721,211
State income taxes	17,262	25,694
	$ 824,715	$ 1,746,905
Profit for the year transferred to earned surplus	$ 1,035,420	$ 1,518,752
Balance of unappropriated earned surplus at beginning of year	18,899,967	17,840,873
Undistributed earnings at March 31, 1951 of subsidiary not previously consolidated, applicable to shares owned at that date	—	107,754
	$19,935,387	$19,467,379
Dividends of $1.60 per share	560,159	567,412
Balance of unappropriated earned surplus at end of year	$19,375,228	$18,899,967

See Notes to Financial Statements.

REPORT OF ACCOUNTANTS

To the Board of Directors of

Hart Schaffner & Marx:

In our opinion, the accompanying financial statements present fairly the consolidated position of Hart Schaffner & Marx and its subsidiaries at November 30, 1952, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. This opinion is based on an examination of the statements which was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

CHICAGO, ILLINOIS

January 22, 1953

NOTES TO FINANCIAL STATEMENTS

Under the provision of the debenture issue, $15,587,309 of the total consolidated earned surplus at November 30, 1952, is restricted as to payments of dividends.

The unpaid cost with respect to past service benefits under the retirement annuity plan for employees established in 1946 amounted to approximately $315,000 at November 30, 1952.

As at November 30, 1952, the Company and its subsidiaries occupied properties under seventy lease agreements with terms expiring from one to forty-one years after that date, and requiring a minimum rental payment of approximately $1,586,000 for 1953. Certain of the leases provide for the payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

TEN YEAR

	1952	1951	1950	1949
Net Sales and Operating Revenue	$62,263,140	$61,672,439	$59,257,388	$57,773,088
Federal Income Taxes	807,453	1,721,211	1,217,049	975,298
Per Share	2.31	4.92	3.43	2.75
Net Earnings After Federal Income Taxes	1,035,420	1,518,752	1,647,733	1,638,746
Per Share	2.96	4.34	4.65	4.62
Dividends Paid in Cash	560,159	567,412	780,192	851,118
Per Share	1.60	1.60	2.20	2.40
Earnings Retained in the Business	475,261	951,340	867,541	787,628
Property Additions*	511,656	1,290,444	2,098,111	2,419,324
Current Assets	31,226,448	31,051,499	29,724,708	24,786,344
Current Liabilities	12,129,777	12,571,725	11,496,923	5,852,690
Net Working Capital	19,096,671	18,479,774	18,227,785	**18,933,654
Fixed Assets—Less Depreciation and Amortization	12,038,940	11,902,302	11,357,234	10,032,562
Net Worth	25,415,675	24,387,368	23,509,594	22,620,580
Per Share	72.60	69.66	66.29	63.79

*Retail store leasehold improvements and equipment — Real Estate — Factory Building and manufacturing equipment, exclusive of properties acquired through purchase of subsidiary companies.

**During 1949 the company issued an additional $2,000,000 of 3½% sinking fund debentures, the proceeds from which (less $485,000 payable in 1950 which is included in current liabilities of 1949) were added to working capital.

SUMMARY

1948	1947	1946	1945	1944	1943
$63,037,888	$56,527,917	$45,808,460	$33,805,246	$33,814,118	$31,174,114
2,025,253	2,307,804	2,202,476	2,247,479	1,851,096	1,715,146
5.71	6.51	6.07	6.32	5.20	4.83
2,927,852	3,284,384	3,423,126	1,645,860	1,392,596	1,631,319
8.26	9.26	9.44	4.63	3.91	4.59
851,118	855,678	644,518	569,252	426,939	498,095
2.40	2.40	1.80	1.60	1.20	1.40
2,076,734	2,428,706	2,778,608	1,076,608	965,657	1,133,224
3,476,655	3,203,618	1,632,412	442,079	147,643	47,120
28,033,290	22,121,816	20,179,895	16,964,572	16,247,731	15,178,234
10,088,636	9,090,219	6,416,958	4,373,192	3,987,222	3,993,826
†17,944,654	13,031,597	13,762,937	12,591,380	12,260,509	11,184,408
8,385,328	5,547,903	2,604,087	1,292,600	1,033,227	1,063,422
21,832,952	19,756,218	17,580,661	14,528,053	13,451,445	12,385,788
61.57	55.71	48.48	41.28	37.81	34.85

†In 1948 the company issued $6,000,000 of 3½% sinking fund debentures, the proceeds from which (less $400,000 payable in 1949 and included in current liabilities of 1948) were added to working capital.